

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2015 AND 2014

**MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Make-A-Wish Foundation of San Diego, Inc.
Phoenix, Arizona

We have audited the accompanying financial statements of Make-A-Wish Foundation of San Diego, Inc., which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Make-A-Wish Foundation of San Diego, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation of San Diego, Inc. as of August 31, 2015 and 2014, and change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

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Phoenix, Arizona
December 2, 2015

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents	\$ 442,021	\$ 294,023
Investments	4,789,331	5,392,168
Due from Related Entities	56,657	63,849
Prepaid Expenses	44,936	35,347
Contributions Receivable, Net	423,323	127,037
Other Assets	23,540	2,233
Property and Equipment, Net	18,162	33,481
Beneficial Interest in Assets Held by Others	133,857	146,296
Total Assets	\$ 5,931,827	\$ 6,094,434
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 263,339	\$ 220,939
Accrued Pending Wish Costs	682,366	639,385
Due to Related Entities	11,508	7,743
Other Liabilities	3,966	16,178
Total Liabilities	961,179	884,245
NET ASSETS		
Unrestricted	4,688,509	5,106,924
Temporarily Restricted	282,139	103,265
Total Net Assets	4,970,648	5,210,189
Total Liabilities and Net Assets	\$ 5,931,827	\$ 6,094,434

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 2,498,008	\$ 282,139	\$ 2,780,147
Grants	334,065	-	334,065
Total Public Support	2,832,073	282,139	3,114,212
Internal Special Events	856,122	-	856,122
Less Costs of Direct Benefits to Donors	(176,165)	-	(176,165)
Total Special Events	679,957	-	679,957
Investment Loss, Net	(340,860)	-	(340,860)
Other Income	75,653	-	75,653
Net Assets Released from Restrictions	103,265	(103,265)	-
Total Revenues, Gains, and Other Support	3,350,088	178,874	3,528,962
EXPENSES			
Program Services:			
Wish Granting	2,187,273	-	2,187,273
Program-Related Support	833,339	-	833,339
Total Program Services	3,020,612	-	3,020,612
Support Services:			
Fundraising	372,281	-	372,281
Management and General	375,610	-	375,610
Total Support Services	747,891	-	747,891
Total Program and Support Services Expense	3,768,503	-	3,768,503
Change in Net Assets	(418,415)	178,874	(239,541)
Net Assets, Beginning of Year	5,106,924	103,265	5,210,189
NET ASSETS, END OF YEAR	\$ 4,688,509	\$ 282,139	\$ 4,970,648

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT			
Public Support:			
Contributions, Net of Write-Offs	\$ 2,382,273	\$ 103,265	\$ 2,485,538
Grants	85,553	-	85,553
Total Public Support	2,467,826	103,265	2,571,091
Internal Special Events	728,412	-	728,412
Less Costs of Direct Benefits to Donors	(124,020)	-	(124,020)
Total Special Events	604,392	-	604,392
Investment Income, Net	570,718	-	570,718
Other Income	60,598	-	60,598
Net Assets Released from Restrictions	56,505	(56,505)	-
Total Revenues, Gains, and Other Support	3,760,039	46,760	3,806,799
EXPENSES			
Program Services:			
Wish Granting	2,025,051	-	2,025,051
Program-Related Support	726,670	-	726,670
Total Program Services	2,751,721	-	2,751,721
Support Services:			
Fundraising	476,542	-	476,542
Management and General	325,103	-	325,103
Total Support Services	801,645	-	801,645
Total Program and Support Services Expense	3,553,366	-	3,553,366
Change in Net Assets	206,673	46,760	253,433
Net Assets, Beginning of Year	4,900,251	56,505	4,956,756
NET ASSETS, END OF YEAR	\$ 5,106,924	\$ 103,265	\$ 5,210,189

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (239,541)	\$ 253,433
Adjustments to reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	21,040	22,344
Net Realized and Unrealized (Gains) Losses on Investments	483,035	(458,719)
(Gain) Loss on Sale of Property and Equipment	-	(1,723)
Changes in Assets and Liabilities:		
Contributions Receivable	(296,286)	(34,632)
Due from Related Entities	7,192	70,653
Prepaid Expenses	(9,589)	(5,013)
Other Assets	(21,307)	3,686
Accounts Payable and Accrued Expenses	42,400	34,717
Accrued Pending Wish Costs	42,981	175,657
Due to Related Entities	3,765	(17,759)
Other Liabilities	(12,212)	(11,347)
Net Cash Provided by Operating Activities	21,478	31,297
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(3,818,403)	(1,388,172)
Proceeds from Sales of Investments	3,944,572	1,477,980
Purchases of Property and Equipment	(5,721)	(12,013)
Proceeds from Sale of Property and Equipment	-	1,723
Proceeds from Assets Held at Community Foundation	6,072	6,872
Net Cash Provided by Investing Activities	126,520	86,390
 Net Increase in Cash and Cash Equivalents	147,998	117,688
 Cash and Cash Equivalents, Beginning of Year	294,023	176,335
 CASH AND CASH EQUAVALENTS, END OF YEAR	\$ 442,021	\$ 294,023

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2015

	Program Services			Support Services			Total
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	
Direct Costs of Wishes	\$ 2,187,273	\$ -	\$ 2,187,273	\$ -	\$ -	\$ -	\$ 2,187,273
Salaries, Taxes, and Benefits	-	593,643	593,643	212,213	279,403	491,616	1,085,259
Printing, Subscriptions, and Publications	-	14,619	14,619	8,130	244	8,374	22,993
Professional Fees	-	4,137	4,137	4,529	12,821	17,350	21,487
Rent and Utilities	-	59,763	59,763	18,887	24,443	43,330	103,093
Postage and Delivery	-	8,699	8,699	5,159	1,435	6,594	15,293
Travel	-	9,879	9,879	8,481	4,083	12,564	22,443
Meetings and Conferences	-	6,386	6,386	48,321	3,059	51,380	57,766
Office Supplies	-	18,471	18,471	4,266	3,069	7,335	25,806
Communications	-	6,683	6,683	3,625	2,091	5,716	12,399
Repairs and Maintenance	-	10,275	10,275	3,548	7,457	11,005	21,280
Insurance	-	5,050	5,050	1,506	2,012	3,518	8,568
Membership Dues	-	2,630	2,630	5,041	1,259	6,300	8,930
Volunteer Training	-	15,291	15,291	-	-	-	15,291
National Partnership Dues	-	63,581	63,581	20,435	26,025	46,460	110,041
Miscellaneous	-	2,075	2,075	24,233	3,233	27,466	29,541
Depreciation and Amortization	-	12,157	12,157	3,907	4,976	8,883	21,040
	<u>\$ 2,187,273</u>	<u>\$ 833,339</u>	<u>\$ 3,020,612</u>	<u>\$ 372,281</u>	<u>\$ 375,610</u>	<u>\$ 747,891</u>	<u>\$ 3,768,503</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2014

	Program Services			Support Services			
	Wish Granting	Program-Related Support	Total Program Services	Fundraising	Management and General	Total Support Services	Total
Direct Costs of Wishes	\$ 1,975,051	\$ -	\$ 1,975,051	\$ -	\$ -	\$ -	\$ 1,975,051
Salaries, Taxes, and Benefits	-	521,235	521,235	266,566	248,069	514,635	1,035,870
Printing, Subscriptions, and Publications	-	6,069	6,069	31,296	-	31,296	37,365
Professional Fees	-	4,696	4,696	16,828	17,779	34,607	39,303
Rent and Utilities	-	53,351	53,351	27,692	22,519	50,211	103,562
Postage and Delivery	-	4,714	4,714	10,726	972	11,698	16,412
Travel	-	8,148	8,148	8,996	4,840	13,836	21,984
Meetings and Conferences	-	6,744	6,744	46,341	2,514	48,855	55,599
Office Supplies	-	8,632	8,632	9,169	2,569	11,738	20,370
Communications	-	6,527	6,527	3,050	2,488	5,538	12,065
Repairs and Maintenance	-	6,314	6,314	3,857	2,951	6,808	13,122
Insurance	-	4,603	4,603	2,403	2,042	4,445	9,048
Membership Dues	-	219	219	4,678	439	5,117	5,336
Grants and Scholarships	50,000	-	50,000	-	-	-	50,000
Volunteer Training	-	9,719	9,719	-	-	-	9,719
National Partnership Dues	-	72,221	72,221	10,185	10,185	20,370	92,591
Miscellaneous	-	1,891	1,891	28,890	2,845	31,735	33,626
Depreciation and Amortization	-	11,587	11,587	5,865	4,891	10,756	22,343
	<u>\$ 2,025,051</u>	<u>\$ 726,670</u>	<u>\$ 2,751,721</u>	<u>\$ 476,542</u>	<u>\$ 325,103</u>	<u>\$ 801,645</u>	<u>\$ 3,553,366</u>

See accompanying Notes to Financial Statements.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 1 ORGANIZATION

Make-A-Wish Foundation of San Diego, Inc. (the Foundation) is a California not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fundraising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) applicable to not-for-profit entities.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at August 31, 2015 and 2014 is \$-0- and \$5,604, respectively, of money market mutual funds.

Investments

Investments are recorded at fair value. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless its use is limited by donor-imposed restrictions or law. Certain investments are valued by using the net asset value (NAV) per share (or its equivalent), as a practical expedient.

Contributions Receivable

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discounted using fair value rates and contributions are written off when deemed uncollectible.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

Property and equipment having a useful life of more than one year are capitalized at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt and restrictions are released once the asset is placed into service. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally three to five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

Fair Value Measurements

Fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets (or liabilities) that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs: Prices for a similar asset (or liability), other than quoted prices included in Level 1 inputs, that are observable for the asset (or liability), either directly or indirectly. If the asset (or liability) has a specified term, a Level 2 input must be observable for substantially the full term of the asset (or liability).

Level 3 Inputs: Unobservable inputs for the asset (or liability) used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset (or liability) at measurement date.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

See additional information in Note 3.

The Foundation adopted the net asset value (NAV) per share or its equivalent for valuing certain investments in funds that do not have readily determinable fair values. NAV, in many instances, may not equal fair value.

Net Assets

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to restrictions imposed by donor or law that may be met either by actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions or law.

Revenue Recognition

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Foundation received in-kind contributions of assets and services that are included in the accompanying statements of activities as follows:

	2015	2014
Contributions:		
Wish Related	\$ 718,997	\$ 614,246
Professional Services	8,267	8,261
Total	\$ 727,264	\$ 622,507
Special Event Revenue:		
Internal Special Events	\$ 299,266	\$ 156,738

An internal special event is a fundraising event coordinated and staffed by Foundation personnel rather than a third-party support group or organization. It is designed to attract people for the purpose of raising mission awareness, for increasing funding from existing donors, and the cultivation of future donors. Internal special event in-kind amounts are donated items recorded at fair value that are used in facilitating the event. Examples of such donated items are generally food, beverage, facility costs, and auction items.

Program or supporting services expenses were recorded at fair value totaling \$727,264 and \$622,507 in 2015 and 2014, respectively, with the difference recorded as other assets representing donated property, equipment, investments and special events direct donor benefit costs.

Advertising and media is used to help the Foundation communicate its message or mission and includes fundraising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as contribution revenue when received and fundraising or public information [if allocated as a joint cost] expense when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal income and California income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23701d of the California Revenue and Taxation Code. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. The Foundation is no longer subject to U.S. federal income tax examinations by authorities after tax years before 2011.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management believes that no uncertain tax positions exist for the Foundation at August 31, 2015 and 2014.

Functional Expenses

The Foundation performs six functions: wish granting, program-related support, training and development, public information, fundraising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions.

Program-Related Support

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, and administration of the wish program.

Training and Development

Activities performed by the Foundation include, but are not limited to, implementation of programs supporting the identification of wish candidates and the determination and delivery of the wish.

Public Information

Activities performed by the Foundation communicating the purpose and services of the Foundation to all potential sources of wish referrals.

Fundraising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations.

Management and General

All costs not identifiable with a single program or fundraising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, valuation of investments, contributions receivable, accrued pending wish costs (net of attrition on pending wish costs), and whether an allowance for uncollectible contributions receivable is required. The current economic environment continues to create a high degree of uncertainty in those estimates and assumptions.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair Value of Financial Instruments

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of the financial instruments shown in the following table(s) as of August 31, 2015 and 2014 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows, appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

Overall Investment Objective

The overall investment objective of the Foundation is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Foundation diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Finance committee, which oversees the Foundation's investment program in accordance with established guidelines.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Foundation may also hold shares or units in traditional institutional funds as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Private equity funds employ buy-out and venture capital strategies and focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITS) or commercial real estate through sole-member entities. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Foundation's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2015:

	Fair Value Measurements at August 31, 2015 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 1,556,260	\$ -	\$ -	\$ 1,556,260
International Equity	235,121	-	-	235,121
Real Estate	145,965	-	-	145,965
Asset Allocation	308,565	-	-	308,565
Commodities	394,644	-	-	394,644
Options	173,909	-	-	173,909
Bonds	460,756	-	-	460,756
Exchange-Traded Funds:				
International Equity	71,702	-	-	71,702
Bonds	432,848	-	-	432,848
Debt Securities:				
U.S. Agency	-	84,187	-	84,187
Corporate	-	446,734	-	446,734
Money Market Funds	478,640	-	-	478,640
Beneficial Interests in assets Held by Others	-	-	133,857	133,857
Total Recurring	<u>4,258,410</u>	<u>530,921</u>	<u>133,857</u>	<u>4,923,188</u>
Nonrecurring:				
Total Nonrecurring	-	-	-	-
Total	<u>\$ 4,258,410</u>	<u>\$ 530,921</u>	<u>\$ 133,857</u>	<u>\$ 4,923,188</u>

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The following table presents the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis at August 31, 2014:

	Fair Value Measurements at August 31, 2014 Using			Total
	(Level 1)	(Level 2)	(Level 3)	
Assets:				
Recurring:				
Investments:				
Mutual Funds:				
Domestic Equity	\$ 2,020,331	\$ -	\$ -	\$ 2,020,331
International Equity	284,320	-	-	284,320
Real Estate	170,707	-	-	170,707
Asset Allocation	360,962	-	-	360,962
Commodities	372,390	-	-	372,390
Options	174,855	-	-	174,855
Bonds	1,013,400	-	-	1,013,400
Exchange-Traded Funds:				
International Equity	97,548	-	-	97,548
Debt Securities:				
U.S. Agency	-	58,123	-	58,123
Corporate	-	474,915	-	474,915
Alternative Investments:				
Structured Notes	-	75,839	-	75,839
Money Market Funds	288,778	-	-	288,778
Beneficial Interests in Assets Held by Others	-	-	146,296	146,296
Total Recurring	<u>4,783,291</u>	<u>608,877</u>	<u>146,296</u>	<u>5,538,464</u>
Nonrecurring:				
Total Nonrecurring	-	-	-	-
Total	<u>\$ 4,783,291</u>	<u>\$ 608,877</u>	<u>\$ 146,296</u>	<u>\$ 5,538,464</u>

For the valuation of structured notes and corporate debt securities at August 31, 2015 and 2014, the Foundation used significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

For the valuation of beneficial interest in assets held by others at August 31, 2015 and 2014, the Foundation used significant unobservable inputs including net asset value, as practical expedient (Level 3).

Quantitative Information About Level 3 Fair Value Measurements)			
Type of Investments	Fair Value at August 31, 2015	Valuation Technique	Unobservable Input
Beneficial interests in assets held by others	<u>\$ 133,857</u>	Net Asset Value (NAV)	Percentage of annual investment return applied to outstanding account

Quantitative Information About Level 3 Fair Value Measurements)			
Type of Investments	Fair Value at August 31, 2014	Valuation Technique	Unobservable Input
Beneficial interests in assets held by others	<u>\$ 146,296</u>	Net Asset Value (NAV)	Percentage of annual investment return applied to outstanding account

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2015:

Beginning Balance	\$ 146,296
Transfers into Level 3	-
Transfer out of Level 3	-
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets	(6,367)
Purchases	-
Distributions	(6,072)
Ending Balance	<u>\$ 133,857</u>
Change in Unrealized Gains or Losses for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	<u>\$ (6,367)</u>

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents a rollforward of activity for investments measured at fair value using significant unobservable inputs (Level 3) for the year ended August 31, 2014:

Beginning Balance	\$	134,249
Transfers into Level 3		-
Transfer out of Level 3		-
Total Gains or Losses (Realized/Unrealized) Included in Changes in Net Assets		18,919
Purchases		-
Distributions		(6,872)
Ending Balance	<u>\$</u>	<u>146,296</u>
Change in Unrealized Gains or Losses for the Period Included in the Change in Net Assets Relating to Investments Still Held at End of Reporting Period	<u>\$</u>	<u>18,919</u>

Total investment income, gains, and losses for the years ended August 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Interest and Dividend Income	\$ 179,623	\$ 148,815
Realized and Unrealized Gains (Losses), Net less Investment Expenses	(483,035)	458,719
	(37,448)	(36,816)
Investment Income (Loss), Net	<u>\$ (340,860)</u>	<u>\$ 570,718</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable include pledges that have been discounted at rates ranging from 0% to .4% at August 31, 2015 and 2014, respectively. The following is a summary of the Foundation's contributions receivable at August 31:

	<u>2015</u>	<u>2014</u>
Total Amounts Due in:		
One Year	\$ 208,323	\$ 127,037
Two to Five Years	215,000	-
More than Five Years	-	-
Gross Contributions Receivable	<u>423,323</u>	<u>127,037</u>
Less Allowance for Doubtful Accounts	-	-
Less Discount to Present Value	-	-
Contributions Receivable, Net	<u>\$ 423,323</u>	<u>\$ 127,037</u>

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 5 SPLIT-INTEREST AGREEMENTS

Beneficial Interests in Assets Held by Others

In November 2008, the Foundation transferred \$100,000 to The San Diego Foundation (TSDF). Distributions of income earned from TSDF are to be made semiannually, in March and September, or upon request after an allocation period, in amount determined by TSDF's board of directors based on earnings as defined in the agreement, to support the mission of the Foundation. See note 3 for fair value information on beneficial interest in assets held by others.

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES

The Foundation received the following distributions from the National Organization for the years ended August 31:

	2015	2014
Corporate, Online, Whitemail and General Contributions	\$ 633,391	\$ 462,979
Gifts and Travel Reimbursements	264	199
Grants	-	770
Adopt-A-Wish	-	10,000
Other	6,948	1,864
Total Distributions Received	<u>\$ 640,603</u>	<u>\$ 475,812</u>

These amounts are recorded in the Statement of Activities as public support revenue.

The Foundation paid to the National Organization the following amounts for the years ended August 31:

	2015	2014
Partnership Dues	\$ 110,041	\$ 92,591
Other	-	8,562
Total Amounts Paid	<u>\$ 110,041</u>	<u>\$ 101,153</u>

As part of the National Organization's Wish Fulfillment Fund, chapters may apply for funds that have been donated by other chapters to underwrite the cost of wishes. Under this program, the Chapter contributed \$100,000 and \$50,000 for the years ended August 31, 2015 and 2014, respectively.

Chapters who assist with the organization in granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$71,850 and \$58,875 for the years ended August 31, 2015 and 2014, respectively, which is recorded in the accompanying statements of activities as other income.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 6 TRANSACTIONS WITH RELATED ENTITIES (CONTINUED)

Amounts due from and to related entities are as follows:

	<u>2015</u>	<u>2014</u>
Balance at August 31:		
Due from National Organization	\$ 28,648	\$ 26,247
Due from Other Chapters	28,009	37,602
Total Due from Related Entities	<u>\$ 56,657</u>	<u>\$ 63,849</u>
Due to Other Chapters	\$ 11,508	\$ 7,743
Total Due to Related Entities	<u>\$ 11,508</u>	<u>\$ 7,743</u>

Amounts due from the National Organization represent contributions remitted to the National Organization that are identified for the Foundation's use but were not yet transferred to the Foundation as of year-end. Amounts due from other chapters represent amounts paid in assisting other chapters with their wish granting and wish assist fee income receivable. Amounts due to other chapters represent amounts owed to other chapters who have assisted in the granting of wishes for the Foundation.

During 2015 and 2014, the Foundation received contributions, both cash and in-kind, from board members totaling \$63,274 and \$82,782, respectively. There are no outstanding contribution receivables from board members as of August 31, 2015 and 2014.

NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment as of August 31 consist of the following:

	<u>2015</u>	<u>2014</u>
Computer Equipment and Software	\$ 68,976	\$ 67,142
Office Furniture	80,148	76,261
	149,124	143,403
Less Accumulated Depreciation and Amortization	(130,962)	(109,922)
Property and Equipment, Net	<u>\$ 18,162</u>	<u>\$ 33,481</u>

Depreciation and amortization expense totaled \$21,040 and \$22,344 for the years ended August 31, 2015 and 2014, respectively.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 8 ACCRUED PENDING WISH COSTS

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain, measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

Estimated cash and in-kind costs owed as of year end for all reportable pending wishes are accrued as pending wish liability. The in-kind portion of the pending wish liability represents the estimated in-kind outlay that is expected to be incurred in fulfilling each wish; note that the matching in-kind revenues are recognized when an unconditional promise is received for the required goods or services or in the future period when the wish is granted.

The Foundation, as part of its estimate of accrued pending wish costs, also considers attrition on pending wish costs. An attrition rate is calculated by the Foundation by analyzing the trend of wishes that have been accrued for using the five criteria discussed above that have not been able to be completed within the past twelve months due to factors outside of the control of the chapter, such as the death of a child, the move of the family out of the chapter's territory, or loss of contact with the family. As of August 31, 2015 and 2014, the Foundation had approximately 69 and 68 reportable pending wishes, respectively.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 9 LEASES

The Foundation is obligated under operating leases for office space, which expires in September 2020. Total rent expense for this lease for the years ended August 31, 2015 and 2014 totaled \$100,825 each year.

Future minimum lease payments under this lease are as follows:

<u>Year Ending August 31:</u>	<u>Operating Leases</u>
2016	\$ 118,365
2017	121,624
2018	125,264
2019	129,022
2020	132,900
Thereafter	11,102
Total Minimum Lease Payments	<u><u>\$ 638,277</u></u>

NOTE 10 ENDOWMENTS

The Foundation is subject to the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and is required to make disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of one individual fund held by a community foundation in an original amount totaling \$100,000 established to support the Foundation and includes funds designated by the board of directors to function as endowments. Net assets associated with these endowment funds are classified and reported as unrestricted net assets.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchase power of the endowment assets. The current long-term return objective is to produce, after investment expenses, a minimum annual compound total rate of return of 4.5% in excess of the rate of inflation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

The Foundation has a policy of appropriating for distributions each year the amount distributed to them from the community foundation that holds the investment. For the years ended August 31, 2015 and 2014, such appropriations totaled \$6,072 and \$6,872, respectively.

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 10 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of August 31, 2015 and 2014 is as follows:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-Designated Endowment Funds	\$ 133,857	\$ -	\$ -	\$ 133,857
Total Funds	<u>\$ 133,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,857</u>

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board-Designated Endowment Funds	\$ 146,296	\$ -	\$ -	\$ 146,296
Total Funds	<u>\$ 146,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,296</u>

Changes in endowment net assets for the year ended August 31 are as follows:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ 146,296	\$ -	\$ -	\$ 146,296
Investment Return:				
Investment Income	-	-	-	-
Net Appreciation (Realized and Unrealized)	(6,367)	-	-	(6,367)
Appropriation of Endowment Assets for Expenditure	<u>(6,072)</u>	<u>-</u>	<u>-</u>	<u>(6,072)</u>
Endowment Net Assets, End of Year	<u>\$ 133,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,857</u>

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of Year	\$ 134,249	\$ -	\$ -	\$ 134,249
Investment Return:				
Investment Income	-	-	-	-
Net Appreciation (Realized and Unrealized)	18,919	-	-	18,919
Appropriation of Endowment Assets for Expenditure	<u>(6,872)</u>	<u>-</u>	<u>-</u>	<u>(6,872)</u>
Endowment Net Assets, End of Year	<u>\$ 146,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,296</u>

MAKE-A-WISH FOUNDATION OF SAN DIEGO, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for the years ended August 31:

	2015	2014
Time Restrictions	\$ 215,000	\$ -
Purpose Restrictions	67,139	103,265
Total Temporarily Restricted Net Assets	\$ 282,139	\$ 103,265

NOTE 12 RETIREMENT PLAN

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and upon completion of one year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain IRC limitations. The Foundation contributions to the Plan for the years ended August 31, 2015 and 2014 were \$25,900 and \$24,074, respectively.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the FDIC insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

In-kind contributions totaling \$227,915 and \$137,830 were received from a single donor for the years ended August 31, 2015 and 2014, respectively, which represents 7.3% and 5.4%, respectively, of total public support. Should these contribution levels decrease, the Foundation may be adversely affected.

NOTE 14 LITIGATION AND CLAIMS

The Foundation is involved in litigation and claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position, change in net assets, or liquidity.

NOTE 15 SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the statement of financial position date through December 2, 2015, the date at which the financial statements were available to be issued.